



# Fairfax County Internal Audit Office

Department of Transportation  
Business Process Audit  
Final Report

April 2018

*"promoting efficient & effective local government"*

# Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Transportation (DOT). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, monthly reconciliations, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions.

We noted the following exceptions where compliance and controls needed to be strengthened:

- An employee on a compressed schedule actually followed a standard work schedule without anyone making the necessary adjustment to FOCUS, therefore, the employee had an overstated compensatory time earned balance.
- Confidential information including employee performance reviews, personnel actions, and information on terminations was not properly secured.
- In our review of time entry and approval, we noted two instances where there was no supervisor approval.
- Control weaknesses were noted in the process for completing the Employee Clearance Record Checklist.
- Nineteen individuals on the department's Positions of Trust list did not have a credit check performed.
- Deficiencies were noted in the reconciliation process for purchase orders and non-purchase orders regarding the adequacy of supporting documentation and timeliness of the reconciliation, and for all the expenditure reconciliations regarding proper reviews and following departmental procedures.
- Four items requiring technical review were purchased using the procurement card, circumventing the technical review process.
- Eight transactions made with either a purchase order (PO), or procurement card were not supported by signed and dated packing slips to evidence accurate receipt.
- Multiple instances were noted where procurement card transaction logs were either not filled out completely or completed inaccurately.

## Scope and Objectives

This audit was performed as part of our fiscal year 2018 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the DOT's compliance with county policies and procedures for purchasing processes, personnel/payroll administration, and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders, and non-purchase orders that occurred during the period of August 1, 2016, through July 31, 2017. For that period, the department's purchases were \$149,980 for procurement cards, \$42,024 for FOCUS marketplace, \$75,457,151 for purchase orders that were received, and \$145,398,245 for non-purchase order payments.

## Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

## Findings, Recommendations, and Management Response

### 1. Overstated Compensatory Time Earned

We noted that an employee had an overstated compensatory time earned balance of 8 hours due to the employee being on a compressed work schedule programmed into FOCUS, while actually working a standard work schedule without anyone making the necessary adjustments to FOCUS.

For the week 1/16/17-1/20/17 where 1/16/17 and 1/20/17 were holidays, an employee on a compressed work week schedule (10 hours/day Monday – Thursday) actually worked a standard work week schedule (8 hours/day Monday – Friday) as reflected on the employee's paper time sheet approved by the supervisor. However, neither was a substitution scheduled uploaded to FOCUS, nor were any necessary adjustments made to the employee's preloaded compressed work schedule in FOCUS. As a result, the employee was inadvertently credited with an additional 8 hours of comp time on 1/20 due to entering his time based on a standard schedule. Note: those in the county that worked a standard schedule and had the standard schedule loaded into FOCUS did not earn any comp time on 1/20 (nor should they).

Staff processing his work hours at the time were not aware of how FOCUS HCM processed time for negative time reporters with compressed work schedules. Lack of proper training in managing time and attendance hours in FOCUS HCM for schedule changes increases the risk of inaccurate payroll payments.

**Recommendation:** For the individual that earned an additional 8 hours of compensatory time, we recommend that DOT submit a pay-adjustment to DHR to correct the error.

For all current negative time reporters with a compressed schedule, we recommend that schedules should not be allowed to be switched frequently. If staff require frequent schedule adjustments, DOT should consider changing them from a negative time reporter to a positive time reporter in FOCUS HCM. All staff involved in processing and approving time entries in FOCUS HCM for negative time reporters with preloaded flexible work schedules (i.e. compressed schedules) should obtain training on proper time entry. Finally, procedures for processing and approving time entries for negative time reporter schedule adjustments should be documented and include controls to confirm accuracy.

**Management Response:** DOT HR has begun educating all staff involved in processing and approving compressed work schedules how to properly code holidays and the importance of not changing their work schedules because a holiday is taking place. As part of the education, we have created and distributed written procedures pertaining to processing and approving time entries for negative time reporter schedule adjustments including a control to confirm accuracy. Also, the pay adjustment for the 8 hours of comp leave for this employee was submitted to DHR and is complete. Management anticipates completing their education and coaching of staff by July 31, 2018.

**Note:** *Since our audit finding, DOT took action to educate the entire department and sent a payment adjustment request for the 8 hours of comp time mentioned above. No follow-up will be performed for this item.*

## 2. Unsecured Confidential Information

We noted that confidential information including employee performance reviews, personnel actions, and information related to terminations were stored in unlocked cabinets where access was not limited to individuals on an as needed basis.

Per Fairfax County Personnel Regulations Standards of Conduct, "Employees are expected to...Maintain employee confidentiality by preventing the disclosure of personal information to any unauthorized party."

**Recommendation:** We recommend DOT ensure that confidential information be kept in locked cabinets and only those individuals that need the information have access to the cabinets.

**Management Response:** DOT's majority of file cabinets are in HR employees' offices and file room are secured. However, a few cabinets are still waiting for proper locks. Management anticipates completing these actions by March 31, 2018.

**Note:** *Since our audit finding, DOT took action to obtain the necessary locks and limit access to necessary individuals. IAO reviewed a sample of the cabinets, and noted that they were locked and access was limited. No follow-up will be performed for this item.*

### 3. Time Entry & Approval

There were instances where compensatory time earned and the regular pay time were approved in FOCUS without documented evidence of a supervisor approval. We noted two instances in which a delegate approved time using a timesheet that was not signed by a supervisor. One was 5.5 hours of compensatory time earned for the delegate's supervisor and the other was a regular two-week pay-period for an employee in a different division from the delegate.

Per PPAPP #8, *Time and Attendance Systems and Controls*, "Persons holding manager positions are responsible for authenticating the time and leave data for their direct reports and/or indirect reports. Persons holding delegate positions are responsible for authenticating the time and leave data for employees in the delegated org units when instructed to do so by the org unit's manager or higher-level authority."

Failure to have the supervisor sign the timesheet when the delegate approves a preparer's time entry increases the risk of inaccurate time being approved and waste or loss of county funds.

**Recommendation:** For situations involving a delegate, we recommend DOT follow their internal process for approving time by having the delegate only approve a preparer's time entry after receiving a timesheet signed by the preparer's direct supervisor.

**Management Response:** DOT HR is currently educating staff that all supervisors are to approve their staff's time entries in FOCUS. During the supervisor's absence the manager should be approving staff's time. Delegates should only be approving time when an employee's chain of command is unavailable and the delegates must maintain documentation of supervisor's approval for at least one year. Management anticipates completing their education and coaching of staff by July 31, 2018.

### 4. Employee Clearance Record Checklist

Our audit noted several control weaknesses in the process for completing the Employee Clearance Record Checklist. Of the eleven employees tested, five checklists were either not completed or retained, and five checklists were only partially completed. Additionally, the responsibility for completing the checklist was not included in the job description of the staff who is/are responsible for completing this function.

Per PPAPP Memorandum No. 33, *Employee Clearance Record*, “Departments are required to complete an Employee Clearance Record Checklist with each employee transferring from one department to another or leaving County service for any reason.” Memorandum No. 33 further states: “Responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function.”

Failure to maintain adequate controls over the process for completing Employee Clearance Record Checklists increases the risk of County property not being returned, failure to terminate access to county systems and unresolved disputes between the county and prior employees, should an issue arise at a later date.

**Recommendation:** DOT should fully complete and retain an Employee Clearance Record checklist for employees transferring from one department to another or leaving the County service for any reason. Additionally, a copy of the signed checklist should be provided to the employee upon departure, and the responsibility for completing the checklist should be included in the job description of the staff who is/are responsible for completing the checklist.

**Management Response:** DOT HR now schedules an appointment with each exiting employee. During this appointment, the Employee Clearance Checklist is completed, signed, and dated. Also, any department equipment is obtained during this appointment or before. Implementation began September 2017 and will be ongoing. In addition, management anticipates to update the position description(s) by March 31, 2018.

## 5. Credit Checks

Nineteen people on the department’s Positions of Trust list did not have a credit check performed. The list included the director, division chiefs, and other employees recognized as having significant fiscal or information security responsibility.

PPAPP Memorandum No. 56, states “Employees who occupy positions of trust are subject to a credit check.” Moreover, “The department director or designee will ensure that new hires, as well as employees promoted, demoted or transferred to a position of trust, are processed for a credit check in a timely manner.”

Not obtaining credit checks for those in positions of trust (i.e., those with fiduciary responsibility) increases the risk of potential for abuse or fraud.

**Recommendation:** DOT should obtain credit checks in a timely manner for all individuals on the Positions of Trust list. In the future, the credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust.

**Management Response:** For a recently hired Financial Specialist incumbent, the credit check was completed. All Positions of Trust are being identified, and all credit checks will be done for these positions according Memo 56. Management anticipates completing these actions by May 31, 2018.

**Note:** *Since our audit finding, DOT took action to obtain the necessary credit checks for all the individuals on the Positions of Trust and submitted them to the Department of Human Resources (DHR). No follow-up will be performed for this item.*

## 6. Monthly Reconciliations

For the General Fund and the Capital Projects Fund, DOT did not have documented evidence that the complete population of transactions were reconciled for purchase orders and non-purchase orders. Also, there were no dates on the Reconciliation Certification Forms indicating when it was performed, except for one month that indicated it was performed a month late (i.e. July 2017 reconciliation was performed 9/25/17). In addition, for procurement card and marketplace transactions, and for the General Fund and the Capital Projects Fund POs and Non-POs, DOT stated there was no reviewer. Consequently, the Reconciliation Certification Forms were only signed by the preparer.

Per Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, "County management has fiduciary responsibility, as custodians of public funds, to ensure the integrity of financial transactions posted to FOCUS. To ensure the integrity of the county's financial records, county departments are responsible for performing monthly reconciliations on a timely basis at the transaction level. These reconciliations are to be carried out in accordance with a department reconciliation plan that has been approved by DOF."

Additionally, ATB 020 requires departments to complete a Reconciliation Certification Form. The form should be signed and dated by the director or designee indicating the reconciliation was completed for a specific period. This is to verify that the department's transactions have been reconciled timely and authorizer/approver verified.

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

**Recommendation:** On a monthly basis, DOT should develop documentation to substantiate that the complete population of PO and Non-PO transactions has been reconciled from FOCUS records to the source documents. Additionally, for all types of expenditure reconciliations — Procurement Card, Marketplace, PO, and Non-PO reconciliations — the preparer and reviewer of the reconciliations should sign and date the Reconciliation Certification Forms to evidence a timely preparation and review process. The forms should be maintained on file by the agency.

**Management Response:** DOT currently incorporated the KSB1 monthly reconciliation report along with the ATB 020, and these will be prepared for signature a week after each month ends. Management anticipates completing this action by March 31, 2018.

## 7. Technical Review

Three items were purchased using the procurement card without going through the proper technical review. These items consisted of shelving, proximity cards, and an iPad.

Procurement Technical Bulletin (PTB) 12-1010, *Technical Review Program*, states “Unless formally exempted by the responsible technical review agency, no agency may purchase an item or service requiring technical review without first completing the review process. For this reason items and service requiring technical review may not be purchased using a procurement card or any other non-FOCUS purchasing process without documentation of approval from the responsible technical review department.”

Purchasing technical items on the p-card increases the risk of overpayment for goods, purchasing items that are incompatible with the county’s systems or not compliant with the county’s standards, and purchasing from a vendor that does not offer technical support.

**Recommendation:** We recommend DOT create purchase orders in FOCUS to procure equipment requiring technical review. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

**Management Response:** DOT IT staff have been made aware of the need for documentation of exemption for technical review and that the documentation must be on file before purchasing IT related items. Management has completed this action.

## 8. Receipt of Ordered Goods

In our review of purchase orders, and online procurement card transactions, we noted eight purchases out of thirty-five were not supported by a signed and dated packing slip or other evidence indicating who confirmed the receipt of ordered goods and when it was confirmed.

Per PM 12-09, *Delegated Purchasing Procedures for Orders Under \$10,000*, one must “verify that items have been received as ordered, and sign and date the vendor packing slip to indicate proper receipt and to establish acceptance date.”

Not properly documenting receipt of ordered goods prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not received.



**Recommendation:** DOT should ensure that receipt of all ordered goods and services is adequately documented. If a packing slip is not included with the shipment, receipt of the ordered goods should be documented on the invoice or a separate receiving report with receiver's initials and date. All receiving documentation should be maintained on file with the supporting documentation for the transaction, and received by an individual other than the purchaser/approver.

**Management Response:** DOT educated supervisors and staff that all goods received require packing slips and they must be signed, dated, and sent to Administrative Section to be filed. Management has completed these actions.

## 9. Transaction Logs

From a sample of 30 procurement card transactions, multiple exceptions were noted in the use of transaction logs. Our review indicated that the logs were not properly completed (e.g., missing returned dates) and had incorrect sign-out dates (e.g., transactions that occurred before the sign-out date).

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, states that "the department shall maintain a log that records purchases as they occur and tracks who is in possession of p-card and entries must be contemporaneous that they provide up-to-date information on funds expended."

If possession of the p-card is not accurately tracked, the risk of fraudulent transactions is increased. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card.

**Recommendation:** We recommend that DOT maintain a transaction log which accurately reflects all procurement card activity, to ensure that card use is properly monitored.

**Management Response:** A transaction log will be maintained and the dates will accurately reflect procurement activity to ensure the card use is properly monitored. The log administrator and p-card users were educated regarding the proper way to fill out transaction log accurately. Management has completed these actions.